

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE ANNUAL REVISION</b>	)	
<b>AND UPDATED CALCULATION OF THE</b>	)	<b>CASE NO. GNR-E-04-1</b>
<b>ADJUSTABLE PORTION OF THE AVOIDED</b>	)	
<b>COST RATE FOR EXISTING PURPA</b>	)	
<b>CONTRACTS FOR AVISTA CORPORATION</b>	)	
<b>DBA AVISTA UTILITIES, FOR IDAHO POWER</b>	)	<b>ORDER NO. 29536</b>
<b>COMPANY, AND PACIFICORP DBA UTAH</b>	)	
<b>POWER &amp; LIGHT COMPANY.</b>	)	

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The Idaho Public Utilities Commission in Order No. 28708, Case No. GNR-E-99-1, established a methodology for the annual adjustable rate portion of avoided costs for those QF contracts using variable costs associated with Colstrip, a coal-fired generating facility in southeast Montana. The Colstrip adjustments apply only to contracts executed between September 28, 1990 and January 30, 1995. For those QF contracts with Colstrip-related fuel costs and variable O&M, future Colstrip variable cost adjustments are to be calculated by using FERC Form 1 Colstrip Unit Coal Costs per megawatt hour (MWh) and adding \$2.00/MWh (the average variable O&M cost of Colstrip plus 20¢/MWh for generation taxes plus a five percent (5%) adjustment for line loss). As computed by Commission Staff the Colstrip related adjustable rate for the 2004-2005 year should change from 8.64 mill/kWh to 8.88 mill/kWh. The same calculated rate revision under the avoided cost methodology is used by Avista, PacifiCorp dba UP&L and Idaho Power Company. This change in the variable rate affects existing contracts under the previous coal-based SAR methodology.

The adjustable portion of the avoided cost rates under the Sumas-based (gas-fired SAR) methodology is based on annual average gas prices indexed at Sumas, Washington. Reference Order No. 26135, Case Nos. WWP-E-95-3/IPC-E-95-7/UPL-E-95-2. The purpose of including an adjustable component in the avoided cost rates is to capture annual changes in natural gas fuel costs. The Sumas adjustments apply to all SAR methodology contracts executed since January 31, 1995. As reported by Avista, the indexed gas prices have increased by \$1.98/mmbtu. The previously approved base gas price of \$3.33/mmbtu plus the \$1.98/mmbtu increase results in a gas price of \$5.31/mmbtu for the 2004-2005 year. This by Staff's calculation equates to a SAR fuel cost of 39.03 mill/kWh as used in the model. Under the

Commission-approved Sumas-based SAR methodology, the adjustable portion of avoided cost rates is the same for all of Idaho's major electric utilities.

In accordance with Order No. 29316, the adjustable portion of the avoided cost rate for PacifiCorp contracts with 1992 amendments has also been recomputed. Beginning on July 1, 2003, the adjustable portion for these contracts was ordered to be equal to the average cost of fuel for the Carbon, Hale, Naughton, Huntington and Hunter generating plans, including a variable O&M component of \$1.51 but exclusive of generation taxes and a line loss adjustment. The variable energy rate applicable to deliveries commencing July 1, 2004 extending through June 30, 2005 has been computed by PacifiCorp to be \$10.52/MWh, an increase from \$10.17 last year.

The Commission Staff by letter dated May 28, 2004, prepared by Staff Engineer Rick Sterling, calculated changes to the annual adjustable rate portion of avoided costs for those QF contracts using variable costs associated with Colstrip and Sumas for review by the respective utilities. Avista, Idaho Power and PacifiCorp by letter responses indicated that Staff's calculations are correct.

#### **COMMISSION FINDINGS**

The Commission has reviewed and considered the filings of record in Case No. GNR-E-04-1. We find that the accuracy of the variable rate methodology figures submitted by Avista (Sumas) and calculated by Staff (Colstrip) in this case have not been challenged.

The methodology that this Commission has approved for determining the variable components of the avoided cost rates is a relatively simple arithmetic recalculation. We find based upon our review of the calculations of both Colstrip and Sumas updates, that the resulting adjustable rates for existing contracts are fair, just and reasonable.

#### **CONCLUSIONS OF LAW**

The Idaho Public Utilities Commission has jurisdiction over Avista Corporation dba Avista Utilities, Idaho Power Company and PacifiCorp dba Utah Power & Light Company, electric utilities, pursuant to the authority and power granted it under Title 61 of the Idaho Code and the Public Utility Regulatory Policies Act of 1978 (PURPA).

The Commission has authority under PURPA and the implementing regulations of the Federal Energy Regulatory Commission (FERC) to set avoided costs, to order electric

utilities to enter into fixed term obligations for the purchase of energy from qualified facilities and to implement FERC rules.

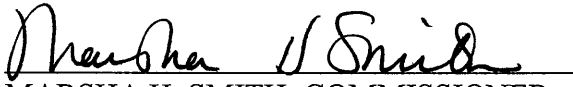
### ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED that the Colstrip-related and Sumas-related adjustable portions of the avoided cost rates for existing PURPA contracts for Avista, Idaho Power and PacifiCorp are changed effective July 1, 2004, as detailed above.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

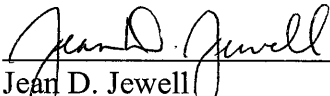
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 28<sup>th</sup> day of June 2004.

  
PAUL KJELLANDER, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
DENNIS S. HANSEN, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

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